

# Alberta Finance

## Pensions, Insurance and Financial Institutions Division

April 9, 2003

### Key Initiatives that Support Alberta Finance's Business Plan 2003-2006

The Business Plan of Alberta Finance outlines the major goals and the key strategies for the department for the coming three years. At an operational level, the Pensions, Insurance and Financial Institutions (PIFI) Division has identified supplementary initiatives that are necessary to its core business and that support the goals and activities of the Business Plan.

The following document outlines these supplementary initiatives. It has been finalized with the input of stakeholders to ensure that these initiatives reflect their priorities.

#### 1. PRIVATE SECTOR PENSIONS

##### 1.1 Work with stakeholders and other jurisdictions across Canada to harmonize and streamline private pension legislation and regulatory processes.

Through national organizations like Canadian Association of Pension Supervisory Authorities (CAPSA) and the Joint Forum of Financial Market Regulators, Alberta is participating in efforts to harmonize pension legislation and reporting requirements at the national level.

- *In support of this strategy, we will undertake to facilitate the development of model pension law for Canada and common investment and disclosure rules for private sector pension plans and similar financial products. We will also work with our Alberta stakeholders to reflect their input and advice in these harmonization efforts.*

##### 1.2 Develop a risk assessment system and plan examination process to help identify private pension plans needing special attention and provide assistance to help ensure plan viability.

In order to make better use of our resources and expertise, PIFI will be proceeding with the implementation of a risk assessment system to monitor private pension plans.

- *In support of this strategy, we will seek the input of our stakeholders on the development of the criteria that will be used to identify "at risk" plans. We will also implement the new risk assessment system.*

##### 1.3 Establish an industry advisory committee to deal with the special problems and issues of Multi-Employer Pension Plans (MEPP).

MEPPs present some unique regulatory issues. To assist in the effective regulation of these pension plans, we will create a committee comprised of union and employer appointed trustees and pension industry professionals involved in the administration of Specified Multi-Employer Pension Plans (SMEPP) that will both advise the Superintendent and create a forum through which information such as best practices can be shared.

- *In support of this strategy, we will establish an industry advisory committee. Once established, the advisory committee will meet once every six months.*

#### **1.4 Ensure that the existing legislative and regulatory framework is up-to-date and relevant.**

To ensure that Alberta pension law remains current, the *Employment Pension Plans Act* will be reviewed to ensure its continued relevance and responsiveness to the needs and changing conditions in the pension plan environment.

- *In support of this strategy, we will review the issues surrounding disclosure, enforcement, locked-in benefits, investment rules, marriage breakdown, plan governance, and defined contribution plan regulation.*

#### **1.5 Improve the administrative processes for regulated private sector pensions.**

Staff from Alberta Finance interact on a regular basis with plan administrators and sponsors of plans. Much of this interaction involves routine administrative activity mandated by the *Employment Pension Plans Act*, such as plan amendments, plan returns, actuarial valuations, or providing advice on the interpretation of the Act. We will work to improve our customer service through more efficient administration.

- *In support of this strategy, we will undertake to reduce turn-around times on amendments and develop criteria that will provide greater consistency in guiding the approval of plan amendments.*

## **2. PUBLIC SECTOR PENSIONS**

### **2.1 Work with stakeholders of the Local Authorities Pension Plan (LAPP) to determine, subject to meeting established principles and requirements, if the plan should be independent.**

Some LAPP stakeholders have expressed an interest in LAPP becoming independent of government. Discussions between the government and various LAPP stakeholders have been ongoing for some time. Over the next year, we will bring resolution to this issue.

- *In support of this strategy, we will seek the direction of the Standing Policy Committee on independence principles and exit requirements. We will communicate these principles to stakeholders.*
- *In support of this strategy, we will work cooperatively with LAPP stakeholders to address and resolve governance issues for LAPP.*

### **2.2 In consultation with the public sector pension plan boards and stakeholders, facilitate the improvement of pension governance frameworks including the management of boards' recommendations for policy changes.**

Proper governance is critical to effective public sector pension plans. The Minister of Finance, as trustee of these plans must be assured that plan members, pensioners and taxpayers are protected. Clarification of the roles and responsibilities of the pension boards, Alberta Pensions Administration, Investment Management Division of Alberta

Revenue and Pension Policy of Alberta Finance in relation to the plans' operations and policy decision-making is required to ensure appropriate accountability. We will review the governance of public sector pension plans with the objective of identifying improvements to the current structure. This review will include an examination of the process through which requests for changes to the plans are made.

- *In support of this strategy, we will establish an Advisory Committee on Public Sector Pensions.*
- *In support of this strategy, we will take a leadership role and work cooperatively with plan stakeholders to review and clarify roles and responsibilities and prepare recommendations to the Minister.*

### **2.3 Clarify roles, responsibilities and administrative processes related to the functions that the Minister of Finance has delegated to the Alberta Pensions Administration by completing a Memorandum of Understanding (MOU).**

Consistent with the recommendations contained in the *Review of Agencies, Boards and Commissions and Delegated Administrative Organizations Final Report*, we will complete and sign a MOU with the APA.

- *In support of this strategy, we will complete an MOU with APA.*

### **2.4 Work with the Federal Government and the other provinces to help ensure the sustainability of the Canada Pension Plan and, at the same time, ensure that alternatives that allow Albertans to secure their retirement income are explored.**

Alberta has been a strong supporter of comprehensive reform to the Canada Pension Plan recognizing the implications of an aging nation population on the plan. While the Actuarial Report released in the summer of 2001 indicated that the plan is on course, we will continue to work with the working committee to ensure that recommendations will be brought forth to ensure the sustainability of the plan.

- *In support of this strategy, we will continue to work with the Federal Government and other provinces to ensure the sustainability of the Canada Pension Plan.*
- *At the same time, we will work to ensure that alternatives that allow Albertans to secure their retirement income are explored.*

## **3. INSURANCE**

### **3.1 Carry out a review of the issues facing the automobile insurance industry including compensation for automobile injury claims and related premium increases.**

The costs of automobile insurance are rising steeply throughout Canada and this trend is making its way to Alberta. Most Albertans rely on automobile transportation. Over the next year, we will examine and review the issues facing the automobile insurance system. This review will look at the operation of the system; the compensation paid to victims of automobile accidents; the premium increases that are occurring in the system; and the availability of insurance in Alberta.

- *In support of this strategy, we will submit a report, with recommendations for action, for the Minister's consideration.*

### **3.2 Implement the new national program to improve and harmonize qualifications for life insurance agents.**

The Life License Qualification Program (LLQP) is being adopted by provinces across Canada. It is a new pre-licensing program for life insurance agents that new entrants into the life insurance industry will be required to complete prior to writing the agent qualifying exam. The target date for the implementation of this program is January 1, 2003. We will work cooperatively with the Alberta Insurance Council to ensure that we are ready to bring this program online in Alberta.

- *In support of this strategy, we will work to implement the LLQP program. Once it has been implemented, we will monitor the program and make modification, if required, to ensure that it is a success.*

### **3.3 Work with industry and consumer stakeholders to complete phase 2 of the *Insurance Act* dealing with contractual provisions.**

In the spring of 1999, the Legislature passed a new *Insurance Act* that clarified and modernized many of the existing provisions, in particular the corporate governance of provincial insurers. This was the first phase in a two-phased review of the *Insurance Act*. Over the next year we will begin the second phase of the *Insurance Act* rewrite. Specifically, we will deal with the contractual provisions in the Act.

- *In support of this strategy, we will complete the phase 2 *Insurance Act* re-write.*

### **3.4 Complete the public consultation on the application of the *Insurance Act* to employee benefit programs and present recommendations to the Minister.**

The *Insurance Act* exempts employee benefit plans from its application if certain conditions are met. Many employers, consultants, insurers and other stakeholders have not been aware of the application of the Act to these plans, and has caused them to suggest that if forced to comply with the Act, they would consider curtailing or eliminating the benefits as the cost of providing these benefits through insurance would significantly increase the cost of the plan. We will examine and resolve this issue over the coming year.

- *In support of this strategy, we will work to compile the input that was received from responses to the discussion paper, and present recommendations to the Minister for consideration.*

### **3.5 Clarify the roles, responsibilities and administrative processes related to the functions that the Minister has delegated to the Alberta Insurance Council (AIC), and the Automobile Insurance Board (AIB) by completing Memorandums of Understanding (MOU).**

Consistent with the recommendations contained in the *Review of Agencies, Boards and Commissions and Delegated Administrative Organizations Final Report*, we will complete and sign separate MOUs with the AIB and the AIC.

- *In support of this strategy, we will complete separate MOUs with the Automobile Insurance Board and the Alberta Insurance Councils.*

### **3.6 Introduce new solvency rules that give property and casualty insurers more flexibility while still ensuring financial soundness.**

A new test will be introduced in regulation that will help match the capital requirements of insurers to risk that they insure. This test will determine the riskiness of a company's assets and liabilities in an effort to establish the capital cushion that the company must hold to offset this risk.

- *In support of this strategy, we will implement this new solvency test in regulation.*

## **4. FINANCIAL INSTITUTIONS**

### **4.1 Work with stakeholders to harmonize financial sector legislation while ensuring that Alberta law is efficient, effective and does not create unnecessary regulation.**

National organizations, such as the Joint Forum of Financial Market Regulators, assist in bringing together the federal government and provinces to discuss and address the key issues facing the financial sector in Canada.

- *We will work with federal and provincial governments to coordinate activities in areas such as electronic commerce and counter-terrorism and common standards in the regulation of deposit-taking institutions.*
- *We will support the Joint Forum of Financial Market Regulators on the development of common standards, in such areas as the regulation of mutual and segregated funds, electronic business transactions and harmonized competency principles, codes of conduct and licensing models for financial services intermediaries and certain employees of deposit-taking institutions.*
- *We will also support the inclusion of provincially regulated deposit-taking institutions on the Joint Forum of Financial Market Regulators.*

### **4.2 Modernize regulatory frameworks for ATB Financial and Credit Unions to ensure that they continue to operate in a prudent and secure environment and on a level playing field with banks and other businesses offering similar services.**

Ensuring that our financial sector is healthy, viable and competitive is of critical importance to all Albertans. At the same time, we must ensure that the rights of consumers are protected.

- *In support of this strategy, we will introduce and seek passage of the Financial Sector Statutes Amendment Act in the Legislature. We will work with ATB Financial, Credit Union Central, and the Credit Union Deposit Guarantee Corporation to ensure that the individual statutes -- Alberta Treasury Branches Act and Regulation, the Credit Union Act and Regulations, and the Loan and Trust Corporation Act and Regulations -- are up-to-date and relevant.*

**4.3 Clarify the roles, responsibilities and administrative processes related to the functions that the Minister has delegated to ATB Financial and the Credit Union Deposit Guarantee Corporation by completing Memorandums of Understanding (MOU).**

Consistent with the recommendations contained in the *Review of Agencies, Boards and Commissions and Delegated Administrative Organizations Final Report*, we will complete and sign separate MOUs with ATB Financial and the Credit Union Deposit Guarantee Corporation.

- *In support of this strategy, we will complete separate MOUs for ATB Financial and the Credit Union Deposit Guarantee Corporation.*

**5. SECURITIES**

**5.1 Provide policy support to Alberta Revenue on securities issues.**

When Alberta Treasury was divided into Alberta Finance and Alberta Revenue, responsibility for the Alberta Securities Commission (ASC) was transferred to Revenue. Alberta Finance provides policy support and advice on securities issues to the Minister of Revenue.

- *In support of this strategy, we will work with the ASC on national and regional initiatives that promote an effective and efficient securities regulatory system in Canada. Legislative initiatives include the Uniform Securities Law, proposed amendments to the Alberta Securities Act, and the proposed Uniform Securities Transfer Act.*
- *We will also continue to provide general policy support and advice on securities issues to the Minister of Revenue in a timely manner.*